THE HISTORY OF BANKS

The history of banking and banking practices reveals a very different picture of the history of our world.

It is a history that is either deliberately or accidentally overlooked in our history classes.

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BABYLONIAN ECONOMIC SYSTEM—2000 BC—THE FIRST DEFAULTS

Archaeologists digging in the ruins of ancient temples, or ziggurats, in Babylonia have discovered extensive evidence of the economic system practised by the priests of Baal. Instead of finding money (or coins) as we know it, we mostly find clay tablets representing promises to pay—or IOUs. Along with the clay tablets has been uncovered the secret of their economic system, a system in some respects more efficient than our economic system today.

People only borrow when they are in need or if they are greedy and think they are getting a bargain. In Babylonia after a bad crop year, the farmers would be forced to go to the priests of Baal for a loan to buy seed for the following year. Let us say a farmer named Seth was one of those who needed money for seed. The temple priests were most accommodating and graciously allowed Seth to borrow 10 talents under condition that he repay 11. His land, livestock, wife, children and he himself served as collateral.

In that day there was little money in circulation. The sudden appearance of 10 talents in circulation allowed Seth and all the other farmers to buy seed and plant great fields of grain. They also bought cattle and sheep and many other necessary things. Here we have a situation of a debt of 11 talents coming due while there are only 10 talents in circulation with which to pay.

We can imagine that Seth was panic-stricken after having paid back 10 talents and finding that he still owed one more, and that there was no way to pay because there was no more money in circulation. He could offer the priest thousands of bushels of grain in payment, but the contract he signed was due to be paid in TALENTS—not grain. Cattle? Seth had herds of cattle, pigs, and flocks of sheep—these were also turned down. The contract was to pay in TALENTS—not sheep and pigs. Seth had gathered up the only 10 talents in circulation to pay down on his 11 talent debt and now there was no money to be had. Land, corn, cattle, sheep and pigs had no value as payment against his debt. The contract he had signed stated that he was to pay "talents" only, and there were no talents in circulation.

DEFAULT & PROHIBITION OF USURY

Now arrives the moment of truth—default—bankruptcy. Since Seth could not pay his debt of 11 talents when there were only 10 talents in circulation, he must forfeit his collateral. His livestock went first, his lands next, then his children were sold into slavery as well as his wife, and then he himself became a slave. This is where most slaves came from—debt. Besides Seth and his family, there were tens of thousands of Babylonians who could not pay debts of 11 talents when only 10 talents were in circulation. By the thousands they were herded into captivity. The priests of Baal reduced a large part of their fellow countrymen to slaves and the 'system of interest' spread wherever Babylonian armies marched or Baal priests practised their religion.

EARLY BANKS AND BANKERS

Since the earliest times there have been banks and bankers. The type of bank which was approved of, operated simply to bring a person with money together with a person who needed money, and together they became partners in a joint venture business enterprise. For this service, banks charged fees. The other kind of bank which was disapproved of, operated on the Babylonian principle of lending 10 and collecting 11. The first one was necessary, natural, and orderly; the other unnatural and disorderly. The reasons the disorderly 'interest system' has been forbidden to faithful Christians (and Muslims) are obvious. If you borrow 10 and are forced to pay back 11, sooner or later the lender, or usurer, will take your property.

Ancient Money Contracts

The example used earlier of Seth borrowing 10 talents and having to repay 11 talents is straightforward and easily understood. But to elaborate just a little:

Suppose Seth goes again to the lender and borrows 10 gold talents and agrees to repay interest each year of 3-1/3 talents, and also agrees to repay the 10 gold talents whenever the Baal priest asks for it. Each year for three years Seth pays 3-1/3 talents. At the end of three years there is no more gold in circulation and Seth must ask for a loan in order to pay the interest he had agreed to pay (or forfeit his farms, children, etc.).

The lender then has a choice: he can lend Seth gold talents with which to pay interest or he can give him a clay tablet which the lender says is worth 3-1/3 talents and keep his gold. Understanding money is just common sense. Which would you do? You would give Seth a clay tablet and keep the gold. This is the reason for the clay tablet mentioned earlier. It was a loan substitute for gold. The citizens of Babylon treasured their clay tablets. They are found in great quantities today wherever excavating is being done in the ruins of Babylon.

> **Persia went to war against her creditor and conquered Babylon in 536 BC, and confiscated Babylon's gold. She also adopted Babylon's usury system.**

We have mentioned the temple banks—they were big ones. There were also government banks, and private banks such as the Igibi Bank which flourished in 575 BC. These banks offered almost every service offered by banks today, including the use of cheques, savings, letters of credit, and the Babylonian form of paper money—the clay tablet. The banks kept the gold...naturally.

In ancient Egypt a canal had been dug from the Nile all the way to the Red Sea. Boats coming from India could stop by barges tied up by the side of the canal and get a loan—day or night. At night these loan-boats were well lit so that they could be seen from a long way off. They are the ancestors of the drive-in window in today's banks.

Persia Conquers Babylon

The relationship between nations follows almost exactly the relationship followed between individuals. If one nation desires something another nation has and doesn't have the required payment, the money can be borrowed. If interest is required, as it usually is, trouble is just a matter of time.

Babylon had a neighbor to the north—Persia. In the course of trade Babylon graciously made loans which enabled Persia to buy things she ordinarily would not be able to buy. The loans were made at standard interest rates for the time, 33-1/3%, payable in gold. Persia kept her part of the bargain as best she could. She borrowed extensively and was required to repay double the amount in three years. After paying back the original loan, Persia, like Seth earlier, found that there was no more money left in circulation and that she still owed Babylon's bankers the interest on the loans.

The king of Persia had other problems resulting from this Babylonian loan. Interest on the loan drained Persia of money. Commerce came to a virtual halt except for barter. There was no gold for taxes so the king could not pay his retainers. King Cyrus of Persia needed gold. Babylon had the gold Persia needed. Persia went to war against her creditor and conquered Babylon in 536 BC—and confiscated Babylon's gold. She also adopted Babylon's usury system. Usury between nations inevitably leads to war.

Greece Conquers Persia

As Persia spent the confiscated Babylonian gold, there was an instant flash of economic activity. New cities were built, industries were financed, armies outfitted, and palaces were built. The flood of wealth sent Persian merchants to Greece. The Greeks needed Persian wares so they borrowed with the promise of returning the loans plus interest.

A case in point: in 412 BC Sparta borrowed 5,000 talents from Persia to build warships. This loan, like all the others, was at standard rates. Seven years later, in 405 BC, Lysander of Sparta used these ships to destroy the whole Athenian fleet which was attacked while they were drawn up on a beach. This event made Sparta 'number one' in Greece—all on borrowed money.

Let's look at this transaction in a little more detail. If the Spartans repaid the Persians' loan monthly, the payments would have come to 153.19 talents monthly for 7 years. At 33-1/3%, the total repaid would have come to 12,857.96. A tidy profit—if that much money could actually have been found in circulation to meet the payments.

Chances are the Spartans needed the entire 5,000, and everything else they could get together, to prepare for the coming war. If this is what happened, the debt would have looked like this:

Spartan Debt To The Persians @ 33-1/3%

5,000.00	borrowed
6,666.65	owed at end of 1st year
8,888.84	owed at end of 2nd year
11,851.79	owed at end of 3rd year
15,802.39	owed at end of 4th year
21,069.85	owed at end of 5th year
28,093.13	owed at end of 6th year
37,457.51	owed at end of 7th year

In that day 1 talent was a substantial sum. Five thousand talents was enough to buy an entire navy. Thirty seven thousand talents was an impossible figure. "The borrower is servant to the lender." Sparta was forced to use the navy she had borrowed the money to buy—she couldn't allow the unpaid debt to continue to mount. When she won the war, she transferred the payments of this horrendous debt to Athens—and Athens instead became the servant of Persia. The Persians certainly felt themselves the real winners. Greeks were killing Greeks—and their 5,000 talent loan had brought home wonderful riches. It was these loans that drained Greece of money and paved the way for unending war.

336 BC—Alexander The Great

Philip II of Macedonia died. Philip had conquered Greece and placed her under his rule. His son, Alexander, inherited the throne. Quickly putting down army discontent, he inspected the treasury. It contained the equivalent of a measly $120,000, not even enough to pay his army. In addition, he owed $1.5 million.

Alexander had no choice. He had to have money to pay his army and to pay his debts. Greece was bare of money. Persia was rich. She had the money she had taken from Babylon and from her interest charges to Athens and other Greek cities over the years. The pressing need for money forced Alexander to invade Persia. Leading his matchless Grecian phalanx against the Persians, he won magnificent victories and gained an empire—and $440 million in gold from Darius' banks and temples.

Rome Conquers Greece

The Grecian empire encompassed most of the known world. A model Greek city was built in each conquered country to demonstrate the superiority of the Greek culture. Each city contained a temple. Each temple was also an interest bank which made loans. Gradually the gold in the form of interest payments returned from the people to the Greek temples scattered all over the empire and gradually depression also set in.

Greek traders established cities in the southern and northern parts of Italy. In the middle was the young vigorous Roman federation. The Greek traders traded extensively with their Roman neighbors—much of it on credit—lending 10 gold coins under condition that 11 be repaid. The Romans were hard put to pay their ballooning obligations to the Greeks and at the same time maintain their armies which were needed for their incessant wars. Choosing to gain by war what she could not gain by peace, Rome turned on Greece, conquered her, and confiscated her wealth concentrated in the Greek temples and the municipal and the private banks.

No man or nation wishes to be a servant or slave. When it is discovered that the interest loan is a trick and there is no way to repay the debt, both men and nations will turn on their lenders.

A loan must be accompanied with bribes to keep the rulers of the stronger nation friendly. Babylon was active in the internal affairs of her neighbors. Persia was always active in the internal affairs of Greece.

In spite of bribes, in time the 'system' itself generates a 'desperation level' that bribe money will not fix.

TAXES—TO START MONEY MOVING

"Interest requires a heavy tax so that money will not be hoarded but circulated to pay interest"—Hoskins' 4th Law of Interest.[2]

Taxes! This was one of the most brilliant inventions of the classical age. This is where 'share the wealth' taxes started. While there have always been taxes, the specific reason for these heavy taxes was to milk the rich and start money circulating again. Everyone paid them.* The rich in Athens groaned, but they paid. The rulers spent it as fast as they could get it. It worked. Commerce and trade broke out of stagnation, then blossomed. It required rigidly enforced collections to break loose the tightly held money. No holdouts were allowed since the holdouts plus interest could in time result in owning all the money again through use of The System.

This universal taxation, whose benefits were discovered long ago in Greece, is essential to the usury system. Through the years men have spoken against taxation. Everyone who has paid taxes has wanted to do away with them, but what happens when taxation is abolished? The usury-bankers end up with all the money, and none is left in circulation. The only thing that has kept the usury system operating through the ages is taxation. In spite of its beneficial effects, the biggest and most modern buildings in the blighted debt-ridden downtowns of the world are still banks and insurance companies. Both are active in usury in slightly different ways and have cornered the larger part of the wealth of the world.

People who talk against taxation haven't thought the matter through. The only time heavy taxation is not needed is when there is no usury system.

(* Note: Today, special taxes such as the 'inheritance tax' are used to force owners to sell their businesses and land to corporations owned by the international usurers. A businessman may have bought his business for $50,000. He dies and it is valued at a million. The son is often forced to borrow heavily to pay the inheritance tax. When he cannot meet payments, he is foreclosed. This is the only way the usurers could ever hope to capture most family-held property passed down from generation to generation.)

Rome's Debt Solution—Conquest!

The first war with Carthage gave Rome 3,200 talents in tribute and the second war returned 10,000 talents. This money was spent on her debts. In a short time Rome was hard up again and was forced to conquer Greece. The Greek wealth lasted Rome for a while and then, like Greece, Persia and Babylon before, Rome was forced to conquer and conquer and conquer. After Greece came Syria, and then Carthage again. By 14 AD she had conquered what would be modern-day northern and southern Italy, Sicily, Greece, the immense coastline of North Africa, Turkey, Algeria, Spain, Egypt and France.

By 98 AD Rome had added Morocco, England, and most of Scotland, and by 98-116 AD Arabia, Mesopotamia and Armenia. It was becoming expensive to conquer and the returns were scant. As long as there were nations to conquer and gold to be won, Rome was a vigorous expanding empire. When the Roman legions were at last reduced to wandering over the hot barren sands of Arabia and the equally empty barren steppes of Russia, Rome had reached the end of the line. There is never enough gold to satisfy the demands of usury.

ROMAN GOLD SUBSTITUTE—WAR BORROWING

Men seldom go into debt freely. We have seen how The System demands that new money be borrowed into existence in order to pay 11 for 10 when only 10 exist. This will work for that class of citizen who is always in debt, but it will not do for that solid type of citizen who for business or religious reasons will not borrow or go into debt. This type of individual must be forced to borrow new money into existence for the good of society as a whole. This is most easily done in wartime. It then becomes a 'patriotic' measure.

The ideal war is the kind that results in conquests with light casualties. If such wars are not available, one must make do with what one has. Spain was such a case. Rome waged a long continuing war with her which lasted for generations. Whenever money got scarce as interest payments took money out of circulation, the Spanish War would be taken off the back burner and heated up. This provided the excuse to levy new taxes, the payment of which required private Roman citizens to borrow new money into existence from their friendly bankers.

Problem Wars

A problem occurred in 54 BC when Crassus, the great Roman financier, took an army into Syria to see if he could expand Roman holdings. In that day a leader had to pay for the privilege of conquering a province. If he were victorious he had a lease on his conquests for five years. That is, after the expenses of using the Roman army were met. Everything above the military expenses that could be milked from the conquered land belonged to the general. After five years of such exploitation the province reverted to Rome. A man could get rich or he could become poor depending on how well his campaign went before the conquest, and how successful the tax collections were afterwards.

Crassus was a good general, but he ran into a nation he couldn't handle. He and his army were destroyed by the Parthians. This involved Rome in never-ending wars with this nation. It was a running wound which helped bleed Rome of her manhood, but offered a perpetual excuse to borrow continuously more and more money into existence.

Thus, the Romans' debts grew larger and larger while more and more Roman boys marched away forever.

> **Borrowing 10 pieces of silver and having to repay 20 over a period of time became an impossibility, and so the farmers threw their hands up and abandoned their farms to their creditors.**

Herman—16 BC - 21 AD

The second of the problems was that of the Germans led by Herman. Herman was a German serving in the Roman army when he learned of the coming Roman invasion of his native German lands. Using the cloak of official business to travel extensively beyond the Rhine, he aroused the scattered German peoples who formed a confederation to fight the coming invasion.

When Roman preparations were complete, the Roman legions wound their way across the Rhine into the forests of Germany. It was in the Teutoberg Forest that Herman and his warriors waited. When the time was right, the attack was made. The battle lasted three days. When it was over, the Roman legions had been annihilated. The monument to Herman commemorating this great victory still stands at the site of this battle. The victory stiffened the Germans and from that time onward they pressed against the Empire whenever an opportunity arose.

The Roman Peace—25 BC - 175 AD

Rome found herself at war in Spain, Syria, and Germany. This was too much even for Rome. The attempt to wind down the military adventures ushered in the period called the Roman Peace. This "Peace" was not completely free from war, but it was quieter than the years preceding it. It also turned out to be the villain in the destruction of the Roman Empire.

Peace or no peace the Roman armies still must be fed, housed and armed. To do this, taxes were farmed out to the various provinces. The provinces in turn farmed them out to the various cities. The cities farmed them out to the individual citizens, industries and farms which surrounded them. This meant that a certain tax was due on a certain date based on the amount of money needed by the Empire—and it must be paid. There was no way out of it.

The central government did not borrow money as a rule. This left the individual Roman citizen holding the bag. The average Roman had very little money, and so in order to pay these taxes, he was forced to borrow from private bankers. Borrowing 10 pieces of silver and having to repay 20 over a period of time became an impossibility, and so the farmers threw their hands up and abandoned their farms to their creditors. They weren't making enough to pay the interest on their debts which they had incurred to pay taxes, and so they came to town and became part of the Roman mob. This was the origin of the Roman mob—debtridden and bankrupt Roman farmers. His farm was sold to a new debt-free immigrant for the remainder of the money owed on it.

Roman Welfare State

Welfare in a usury society is always designed to aid the welfare of The System and, only incidentally, the welfare of the individual. Rome was no exception. The bankrupt Roman farmer arriving in town found three possible avenues open to him:

1. He could join the Roman army—a relatively carefree life. There was freedom from responsibility, and certainly there was freedom from taxes. Of course, the soldier would be called on to build the Roman roads and fortifications and help with the maintenance of the walled cities. Too, there was always the never-ending training and actual fighting required periodically in the life of a soldier.

2. He could go as a colonist to the new lands in Africa, Spain, or France which were open to settlement. Unfortunately the tax followed him to the new land, and often this made the new land unprofitable to work even before the plough had been put into the ground.

3. He could stay in Rome and go on the welfare lists. This allowed him to eat, and also served the needs of the state.

As mentioned before, the overriding need of Rome in the 'peace phase' was to increase the money supply. New conquests had stopped. There was no captured gold arriving to pay interest on debts. Most native Romans were deeply in debt and couldn't borrow new money into existence. New debt-free immigrants

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had taken over the borrowing function from the native Romans.

A bankrupt man is a debt-free man, so the bankrupt Roman mob was placed on the welfare lists—the dole. With this government handout the recipients could buy goods on credit worth many times the amount of the 'dole'. As long as merchants received payments, both debtors and creditors were happy and the money credit supply expanded—benefiting everyone.

Roman Taxes

The dole helped the mob to increase the money supply. This was good, but the dole money had to come from somewhere, since the central government did not borrow. It came from increased taxes farmed out to 'the provinces'. This made the taxes on surviving merchants and farmers heavier than before. At this stage a number of things started happening.

First, it was so difficult to make money and pay taxes that men quit their businesses and joined the mob in Rome. Consequently, laws were passed prohibiting men from leaving their occupations.

Declining Birth Rate

Next, since money was so hard to come by and expenses were so high, there was a great reluctance among the people to have children. By 65 AD, the usury contract had swept the heartland of Rome clear of Romans. Tombstones show that 90% of the population bore non-Roman names or had names that had been 'Romanised'. Due also to voluntary childlessness, of 400 families of senators under Nero all trace is lost a generation later.[3]

There were more Romans in Gaul and North Africa than there were in Italy. Lack of money caused Rome to resort to force to collect tax levies. The imperial cities were assessed taxes and the shortfall was made up by "Curiales"—officeholders in charge. In former days this office was much sought after. After the imperial tax quota was filled, whatever was left over could be kept by these tax collectors. Now it was impossible to collect the needed tax quotas, much less hope for 'surplus' taxes. Because of usury there were 25 pieces of silver owed for each piece of silver in existence. To make good the shortfall of government taxes in these conditions was to seek ruin. If the Curiales didn't have the required tax on due date, they had to borrow the needed tax money into existence themselves. Men refused to serve. Curiales had to be appointed. A commentator on this period, in a complete quandary over how the 10-for-11 system works, made the following comment: "Yet there was still plenty of money about, and thanks to a highly developed banking system, loans were available at a rate of interest which rarely exceeded 6%. The writer obviously did not understand that at this time the Romans were so heavily in debt that it made absolutely no difference whether rates were 100% or 1%. The borrower would have equal difficulty in qualifying for a loan or having any chance whatsoever of repaying the loan if once obtained.

The rich bought up land to form estates. As early as 367 BC laws had to be passed limiting the acreage owned by the wealthy to 1,250 acres.[4] It had gotten so that there was none available for the small farmer. The "Licinian Law" was passed requiring interest paid to be deducted from capital.[5]

This was the same as doing away with interest. None of these reform laws lasted long. In 326 BC, slavery and the death penalty for non-payment of debts was abolished—everyone was becoming a slave.

The remaining Roman and Greek farmers deserted the land en masse and moved to the cities. In 135 BC Tiberius Gracchus, crossing the formerly rich and productive province of Etruria, had the impression that the land was empty. In 124 BC he tried to distribute land in order to get the Roman mob back to their farms. He was killed in a riot. In 121 BC his brother Gaius did the same and was assassinated. By 100 BC there were only 2,000 landed proprietors in all of Italy.[6]

Abolition Of Slavery

In the process of conquering the world, Rome brought in millions of slaves. Many were Greek. Many were slaves sold to the Romans by their masters in other lands in payment for goods and taxes. These slaves living throughout Rome were, because of their slavery, denied the opportunity to become consumers and borrow money like the rest of the Roman population. As the decline of native population continued, the authorities were forced to free these slaves so that they could in turn borrow new money into existence. Slavery can never exist over a long period in a usurious society. The slaves are always freed to borrow money.

Eleven free men can borrow more money than a master with ten slaves. The system of usury itself decrees that slaves be freed, so that they can do their part in borrowing money into existence. It was along about 200 AD that slavery started to disappear.[7]

I have never encountered a case in history where slaves were freed en masse for humanitarian reasons. First, usury causes high prices (inflation), then heavy debts, a landless people, lower birth rates and declining population, and finally immigration of new peoples needed to borrow money into existence and pay taxes, or slaves are emancipated to achieve the same object.

Thus we have newly freed slaves in many cases receiving treatment and privileges which in former days would have been reserved to Roman citizens only. It is always so. A debt-free potential borrower is of far more value than a heavily indebted native citizen. The Roman financial community welcomed these freed men with open arms and treated the debt-ridden native Roman with scorn. As an added source of revenue, "Roman Citizenship" could be purchased for a reasonable sum. Nothing was denied them. Everything could be bought—if you had the money. ∞

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